GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:3610
ANSWERED ON:18.04.2005
CREDIT FROM COOPERATIVE SECTOR
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Will the Minister of AGRICULTURE be pleased to state:

(a) whether approximately 40 per cent of the credit in the country comes from the cooperative sector;

(b) if so, the details thereof;

(c) the percentage of the said credit provided to the farmers on soft loans; and

(d) the steps being taken by the Government in this sector?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI KANTI LAL BHURIA)

(a)&(b): The share of cooperative credit institutions in the total ground level credit flow to agriculture sector was 39 percent in the year 2000-01 which has declined to 31 percent in 2003-04.

(c): In the deregulated interest regime, cooperative banking institutions in the country are free to determine rate of interest on loans. However, in most of the States interest rates charged by the cooperative banks ranges between 9 to 16.5%.

(d): Details are annexed.

Annexure

A. Pursuant to the announcement made by the Finance Minister on 18th June, 2004 containing measures for improving agricultural credit flow and providing credit related relief to farmers, the co-operative banks have been advised as under:
1. To achieve a 30 per cent increase over the flow of credit in the previous year.

2. To enhance coverage of institutional credit, including through KCCs, in line with the higher goal for agricultural credit in 2004-05.

3. In order to provide credit to tenant farmers and oral lessees, facilitate formation and financing of self-help groups of tenant farmers and oral lessees during the current year.

4. Reviewing scales of finance to meet the realistic credit needs of farmers, especially capital intensive agricultural operations.

5. Debt restructuring under the following heads in accordance with the new guidelines issued by NABARD:

? Farmers in distress − Rescheduled/restructured debts of farmers as on 31st March, 2004 in districts declared as calamity-affected by the State Government. Rescheduled loan shall be repayable over a period of five years, at current interest rates, including an initial moratorium of two years.

? Farmers in arrears − Loans in default of farmers who have become ineligible for fresh credit as their earlier debts have been categorized as sub-standard or doubtful will be rescheduled as per the guidelines issued by NABARD so that such farmers become eligible for fresh credit.

? OTS for small and marginal farmers −Guidelines for increasing the flexibility of cooperatives to grant a one-time settlement (OTS) for small and marginal farmers who have been declared as defaulters and have become ineligible for fresh credit from lending institutions have been issued by NABARD. Cooperatives banks have been advised to review cases where credit has been denied on the sole ground that a loan account was settled through compromise or write offs.

? In some parts of the country, farmers face acute distress because of the heavy burden of debt from non-institutional lenders (e.g., moneylenders). Banks have been permitted to advance loans to such farmers to provide them relief from indebtedness against appropriate collateral or group security.

B. Recommendations of the Task Force constituted by the Government under the Chairmanship of Prof. A. Vaidyanathan for revival of rural co-operative banking institutions have been accepted in principle for implementation.